

## COMMENTARY

# US, China and the tech war: Implications for Asia

By **C Raja Mohan and Chan Jia Hao**

**L**AST week, the US Bureau of Industry and Security (BIS) of the Department of Commerce invited the industries and the public to offer comments on the proposal to establish sweeping export controls over a range of “emerging and foundational technologies”.

Washington’s move reflects growing American concerns about China’s alleged theft of intellectual property and the long-term impact of Beijing’s growing technological capability on the bilateral military balance. Whatever the motivation, the new US export controls are bound to impact all major economies that are trying to leverage the so-called Fourth Industrial Revolution.

The list of technologies to be controlled include artificial intelligence (AI) and machine learning, robotics, computer vision, natural language processing, data analytics, additive manufacturing, biotechnology, brain-computer interfaces, advanced materials and hypersonic.

Throughout history, nations have sought to deny critical resources and technologies to their adversaries. In the US, export controls date back to the 18th century when it imposed such curbs on Britain.

As science and technology advanced in the 19th century, so did the effort to lead in those fields and steal from those who have it. As the atomic age dawned after World War II, the US, together with its Nato allies, established a Coordin-

ating Committee for Multilateral Export Controls (CoCom) in 1949 for comprehensive export controls against the Soviet Union and its satellites in the Warsaw Pact.

These export controls were continually revised to keep abreast of technological change and the changing international conditions. Succeeding the CoCom, a multilateral Wassenaar Arrangement (1996) perpetuated in preventing transfers of conventional arms, as well as goods and technologies that can be used for both military and civilian commercial purpose across participating states.

Yet as technologies rapidly advance in recent years across many new areas, machine learning and navigation technologies appear unregulated – at least until now. The Trump administration is now acting to correct that loophole.

An equally important imperative has been the determination in Washington that the world has re-entered the era of great power competition. The US National Security Strategy issued by the Trump administration in 2017 identified China and Russia as great power competitors – and pushing back against them as a major priority.

The impact of the new controls is likely to be far more consequential for China than Russia. The normalisation of Sino-US political relations in the 1970s has been followed by the rapid growth of economic and industrial interdependence between the two economies.

But export controls on emerging technologies this time are partly driven by concerns that China is leveraging this interdependence to its own advantage and to the detriment of US industrial base and primacy in advanced technology areas. It also reinforces the Trump administration’s intention to “decouple” from China, where their mutual interests are seen as no longer fundamentally compatible.

### RIGOROUS SCRUTINY

The new export controls will demand that US companies obtain licensing to export products to China and other targeted nations, and enforce restrictions on sharing information with foreign nationals. These sectors will also be added to the list of industries subject to more rigorous scrutiny by the US Committee on Foreign Investment in the United States (CFIUS).

Nonetheless, the administration of these controls will impose massive new burdens on US technology companies. These include onerous licensing procedures, reporting requirements, prior approval of collaborations within and across borders, visa restrictions against potential employees, and ensure certification for exports to designated countries and their re-exports to another destination.

This, in turn, will disrupt supply chains that are connected to the markets of US and China. The challenge is particularly acute for East Asia, which has become deeply connected to the US

and Chinese economies. Just as the regional economies begin to adapt to the Fourth Industrial Revolution, the tech war between US and China will have a debilitating effect on the economic future of Asia.

While the US has many differences with its long-term allies on a range of issues, it is trying to form a united front with them on the question of China. Europe – which has long welcomed Chinese investments – is now stepping up the scrutiny.

Just last week, the European Parliament, Council and Commission announced political consensus on an EU framework for screening foreign direct investments (FDI) particularly in the sectors of space, transport, energy and telecommunications. This is likely to reinforce disruption of East Asian economies so intensely exposed to both China and the West.

Until now, Asia has hoped that it does not have to choose sides in the emerging conflict between the US and China. Many had hoped that economics and security could be separated. But as a trade and tech war becomes part of the political confrontation between US and China, there might be little room to hide for the rest of Asia.

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